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COMMISSION STAFF WORKING DOCUMENT

Albania

Accompanying the document

Commission Implementing Decision

**approving the Reform Agendas and the multiannual work programme under the
Reform and Growth Facility for the Western Balkans**

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EXECUTIVE SUMMARY

With the entry into force of Regulation (EU) 2024/144 on 25 May 2024, the legal basis of the Reform and Growth Facility for the Western Balkans is now established.

The implementation of the Facility has started swiftly, with the preparation and the submission of the Reform Agendas by the beneficiaries, which has followed an intense preparation process validated also by extensive consultations at national level.

The Reform Agendas are the cornerstone of the Facility: they set an ambitious pattern for growth focusing on necessary socio-economic reforms coupled with fundamental reforms, including rule of law and targeted investments. They also represent the mechanism through which payments are decided, hence offering both a monitoring tool and effective policy dialogue instrument between Albania and the Commission.

This document presents the assessment of the Commission of the Reform Agenda as submitted by Albania, performed in line with Article 14 of the Regulation, and with specific attention to the elements summarised below.

The Reform Agenda of Albania is consistent with the general objectives and preconditions of the Regulation as, in line with the Regulations objectives, it is designed to support the enlargement process by accelerating the alignment with Union values, laws, rules, standards, policies and practices through reforms in the framework of its future Union membership. It should accelerate economic integration and foster progressive integration into the Union and especially socio-economic convergence with the EU and the EU single market. In regard to the preconditions, Albania has a multi-party parliamentary system, that holds free and fair elections, and the reforms foreseen in the Reform Agenda will contribute to reinforcing its pluralistic media and its independent judiciary as well as the rule of law, and thus further guaranteeing respect for all human rights obligations, including the rights of persons belonging to minorities.

Albania's Reform Agenda is also consistent with the EU policy framework, due to its strong focus on enlargement fundamentals, including the rule of law, anti-corruption, the fight against organised crime, and fundamental rights. It should also strongly contribute towards Albania meeting the accession criteria, as it will increase the stability of institutions guaranteeing democracy, notably the judiciary, the rule of law, and human rights. It will also reinforce its functioning market economy and its ability to cope with competitive pressure and market forces within the EU. It will also enhance Albania's ability to take on the obligations of membership, and increase its capacity to effectively implement the rules, standards and policies of the EU acquis.

The Reform Agenda is complementary with IPA III, with regard to its focus on human capital (in particular EU4Youth Employment and the OP on the youth guarantee, EU4Social Inclusion), energy (the SBRC on energy and the upcoming OP on energy efficiency), digitalisation and the Smart Specialisation Strategy (EU4Innovation), as well as justice (Budget Support in the Justice Sector, International Monitoring Operation, EU4Justice, planned assistance on good governance and fight against corruption, and several investments under the Western Balkans Investment Fund (WBIF) and flagships of the European Investment Programme (EIP). In conclusion, the Commission has assessed that the Reform Agenda submitted by Albania is relevant, comprehensive and appropriate to fulfil the objectives of the Facility.

Notwithstanding the transformative potential of the Reform Agenda, it is important that the policy framework and results-based financing mechanism of the Facility are not interpreted as a comprehensive response to the requirement of the accession process. The Facility has neither the financial leverage nor the policy scope necessary to address every obligation stemming from the accession process. The negotiating framework and the other non-financial and financial instruments deployed by the Commission to accompany Albania towards membership remain valid and complementary to the Facility.

While this Staff Working Document makes a formal assessment of the reforms, steps and related timeline proposed in the Reform Agenda, it does not constitute an endorsement of any unilateral statement contained in the narrative part of the document prepared and submitted by the Western Balkans beneficiary.

Introduction

Insufficient socio-economic convergence between the Western Balkans and the EU has been a long-standing issue, exacerbated by the economic impact of Russia's unprovoked and unjustified war of aggression against Ukraine and before that by the COVID-19 pandemic. The Western Balkans' level of economic convergence in terms of GDP per capita in purchasing power standards is at between 30% and 50% of the EU average and is not progressing fast enough. It is essential for the Western Balkans, for the European Union and for the accession process that this rate of convergence accelerates, since a higher level of convergence will greatly facilitate the integration of the Western Balkans into the EU.

To reduce that disparity, the Commission in its Communication of 8 November 2023, entitled 'New Growth Plan for the Western Balkans' set out a New Growth Plan for the Western Balkans based on four pillars: (a) increasing integration with the EU's Single Market; (b) boosting regional economic integration, based on EU rules and standards, by fully implementing the existing Common Regional Market Action Plan; (c) accelerating fundamental reforms, including on the fundamentals cluster, supporting the Western Balkans' path towards EU membership, improving sustainable economic growth including through attracting foreign investments and strengthening regional stability;; and (d) establishing a new financing instrument: the Reform and Growth Facility ('the Facility') for the Western Balkans.

The implementation of the New Growth Plan for the Western Balkans requires increased funding under the dedicated new financing instrument, the Facility, to assist the region in implementing reforms for sustainable economic growth, regional integration and the Common Regional Market. With the entry into force of Regulation (EU) 2023/0397 on 25 May 2024, the legal basis of the Reform and Growth Facility for the Western Balkans is now established.

The implementation of the Facility builds on the 'Reform Agenda', a coherent and prioritised set of targeted reforms prepared by each beneficiary, in consultation with relevant stakeholders, including beneficiaries' parliaments, local and regional representative bodies and authorities, social partners and civil society organisations. The Agenda provides a framework for boosting inclusive sustainable socio-economic growth, clearly articulated and aligned with Union accession requirements and the fundamentals of the enlargement process.

The Reform Agendas will reward performance of the beneficiaries, as the disbursement of Union support will be conditional on measurable progress in the implementation of the reforms therein.

The payment conditions take the form of a set of qualitative and quantitative steps with a related timeline for disbursements linked to specific socio-economic reforms to stimulate growth, put beneficiaries on a sustainable convergence path and orientate them towards specific reforms related to fundamentals of the enlargement process including rule of law, fight against corruption and organised crime. Macro financial stability, sound public financial management, transparency and oversight of the budget are general conditions for payments that have to be fulfilled for the release of funds.

Payments will occur according to a fixed semi-annual schedule, based on duly justified requests for the release of funds submitted by the Beneficiaries and following the verification by the Commission of the achievement of the relevant payment conditions, of the principles for financing under the Reform Agendas, including the general conditions mentioned above as set out in Art. 12 and of the pre-conditions stipulated in Art. 5 of the Regulation. In case these conditions are not met, the Commission will suspend or deduct a corresponding amount from the payment.

In order to ensure uniform conditions for the implementation of the Regulation, implementing powers have been conferred on the Commission to approve the Reform Agendas. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council. The Commission will duly take into account Council decision 2010/427/EU and the role of the European External Action Service (EEAS), where appropriate, and in particular when monitoring the fulfilment of the relevant pre-conditions for Union support. The Commission implementing decision referred to in the Regulation should at the same time constitute a work programme within the meaning of Article 110(2) of the Financial Regulation in respect of the amount of non-repayable financial support under this Regulation.

This Staff Working Document provides the Commission's assessment of the relevance, comprehensiveness and appropriateness of the Reform Agendas submitted to the European Commission in July 2024 by Albania, in compliance with the provisions stipulated in Article 14 of Regulation (EU) 2023/0397.

The document is structured in two parts, the first being the analysis of the compliance of the Agenda with the objectives of the Facility, with the overall EU Policy Framework including the Economic Reform Programme, the Joint Policy Guidance and the Enlargement Policy framework, and with key policy sectors that have been selected for accelerated socio-economic growth. Part one contains also the detailed assessment of the key policy areas of the Reform Agendas, their reforms and most significant qualitative and quantitative steps. It elaborates on the general conditions for payments and provides a brief analysis of the indicative list of investments that Albania has preliminarily selected for support from the Facility under the Western Balkans Investment Framework.

Part two provides an assessment of the general issues contributing to the preparation and future implementation of the Facility: its complementarity with the on-going and future activities supported under the Instrument for Pre-accession Assistance, the beneficiary's consultation process leading to the preparation of the Agenda, the monitoring, evaluation and control systems that should be set up and the communication and visibility measures.

Part 1: Assessment of the Reform Agenda

1.1 Assessment of the relevance and coherence of the Reform Agenda

1.1.1 Consistency with the Objectives of the Western Balkans Facility

Albania's Reform Agenda aims to address many of the key challenges for Albania's socio-economic convergence with the EU. Albania's Reform Agenda thereby aims to address many of the key concerns of Albanian economic operators, including the informal economy, tax predictability, property issues, transparency with regard to public private partnerships/concessions, state-owned enterprises, and state aid. It will also improve the legal certainty on investments, stimulate exports, improve legal certainty and the efficiency of the justice system, corruption and organised crime, organised-crime, transport issues, the skills gap, and will reduce the administrative burden on businesses.

Albania has therefore set the following objectives for its Reform Agenda as follows: the overarching objective is the *"acceleration of the Albania's socio-economic convergence with the Union and its integration in the Union single market, by strengthening Rule of Law and moving steadily forward in meeting EU standards and membership criteria"*. The main goal is *"is to achieve a doubling of growth, through structural changes of the economy and its modernization in terms of technology advancement and digitization"*. Albania's Reform Agenda has five specific objectives: 1) Enhancing national economic competitiveness and governance, 2) Transforming education to foster a skilled and digital ready workforce, 3) Building a secure, resilient, and accessible digital nation, 4) Advancing energy sustainability and market integration, and 5) Enhancing rule of law and fundamental rights.

These reforms are designed to contribute to the overall objectives of the facility by transforming Albania into a competitive economy, with transparent governance, efficient infrastructure, and a robust legal framework aligned with EU best practices. This information will be supported by implementing other national strategies, notably on public administration reform and public financial management. Albania's specific Reform Agenda objectives aim to establish a dynamic educational system that equips students with the relevant skills and digital competence needed to thrive in the global economy, fostering innovation and increasing national competitiveness and develops productivity and skilled labour force. They will enhance the effectiveness of the education and training system's and align it with of the labour market demands, and increase active participation in the labour market. In addition, the Reform Agenda seeks to establish a digital society with secure, sustainable, and efficient digital infrastructures that support seamless public services and ensure cyber resilience, aligning with international standards and regulations. Another key objective is to aim to transform Albania into a sustainable energy leader through the adoption of European Union standards and practices, fostering a competitive and transparent energy market while aiming to address energy poverty and environmental concerns and stimulating further green transition. Lastly, Albania aims to strengthen the rule of law through robust reforms that combat organized crime, enhance judicial efficiency, fight against corruption and promote transparency and freedom of expression, aligning with EU *acquis*. While ensuring due respect to judicial independence and

accountability, the Reform Agenda aim to contribute to ensuring the consolidation of the justice reform and its irreversibility, continuous progress with efficiency in justice and consistent moving forward in meeting EU standards and membership criteria. The foreseen improvement of enhance judicial efficiency, transparency and freedom of expression, and property rights will also contribute to enhancing the rights of people belonging to minorities.

By enhancing the convergence of Albania with the EU and providing access to some of the benefits of EU membership in advance of accession, the implementation of the Reform Agenda should further enhance the understanding of the strong shared interests of the EU and Albania, including in foreign and security policy. This should contribute to Albania maintaining its 100% alignment with the EU CFSP, which remains a strong signal of its strategic orientation.

It is considered there are no particular risks in compliance with preconditions and payment conditions (Art 14.4 (g)). In terms of strategic dependencies, Albania produces 99% of its own electricity via hydropower. Nevertheless, the Reform Agenda aims to diversify the generation mix through other renewable energy sources (RES) i.e wind, solar power, reduce energy dependency on hydropower and also increase the country's integration with the EU energy market. In its Reform Agenda Albania also foresees to increase its involvement in EU value chains.

It can be concluded that Albania's Reform Agenda represents a relevant, comprehensive, coherent and adequately balanced response to the objectives of the Facility.

1.1.2 Relevance with the general EU policy Framework

Albania's Reform Agenda is consistent with the EU enlargement policy framework. It has a strong focus on the enlargement fundamentals, notably the rule of law, anti-corruption, fight against organised crime and fundamental rights. It will increase the stability of institutions guaranteeing democracy, notably the judiciary, the rule of law, and human rights. It aims to improve the performance of Albania's economy, enabling it to further reinforce the functioning of its market economy and its ability to cope with competitive pressure and market forces within the EU when it completes its path towards EU accession. It also aims to improve its ability to take on the obligations of membership, and increase its capacity to effectively implement the rules, standards and policies of the EU *acquis* and improve its alignment with several parts of the EU *acquis*, including on rule of law, state aid, public procurement and public-private partnerships, transport, energy and climate and others.

With regard to the Stabilisation and Association Agreements (SAA), Albania's Reform Agenda aims to reinforce the principles of market economy (SAA Article 2), help to combat organised crime and corruption (SAA Article 4), along with other measures under pillar 1 of the Growth Agenda it should facilitate the free movement of goods (SAA Article 16), and enhance the trade in agricultural products (SAA Articles 24-27). It aims to ensure Albania's approximation with EU *acquis* (SAA title VI) in several areas, help consolidate the rule of law (SAA Article 78), help to combat organised crime (SAA Article 85), improve audit (SAA Article 90), promote investment (SAA Article 91), improve education and training (SAA Article 100), and

cooperation with the EU on transport, on energy, and on the environment (SAA Article 106-108). It also aims to address state aid (SAA Article 71) and public procurement (SAA Article 74). The reform on property should also help Albania to meet its SAA obligation on to enable EU nationals and entities to acquire agricultural real estate, due since 2016.

The Reform Agenda aims to address some of the latest macroeconomic and fiscal policy framework and the structural reforms identified in the latest Economic Reform Programme (ERP) submitted to the Commission in the context of the Economic and Financial Dialogue with the EU and the related Joint Policy Guidance. Measures included in the Reform Agenda on human capital, notably vocational training and education, are complementary with those in Albania's 2024-2026 Economic Reform Programme, as is the measure on the digital competence of teachers, on unemployment, on renewable energy and reducing Albania's carbon footprint, developing the digital economy, digital skills, e-governance, and reducing the burden on business by using digital solutions, including for property rights. Measures to improve the research and innovation environment are also complementary to those in the ERP, as are measures to strengthen the fight against informality.

As regards Albania's Economic and Financial Dialogue with the EU the country's Reform Agenda clearly coincides with several Joint Policy Guidance points agreed in 2024, notably in regard to state-owned enterprises and making progress on the integration of public/private partnerships into the National Single Project Pipeline (NSPP). It also coincides in regard to increasing tax revenue, increasing registrations for VAT, and reducing undeclared work and tax fraud, and well as in regard to the Medium-Term Revenue Strategy and its implementation.

As regards Albania's own growth strategy, the Reform Agenda is aligned with the country's 2021-2027 Business and Investment Development Strategy, which foresees three pillars: investment attraction and internationalisation, SME development entrepreneurship and innovation, and human capital development.

Albania's Reform Agenda is fully compatible with the Economic and Investment Plan for the Western Balkans, notably regarding climate action, including decarbonisation, energy and mobility, as well as its strong focus on digitalisation. It is also aligned with the Green Agenda for the Western Balkans, in particular the focus on diversification of renewable energy, and the emission trading scheme.

1.1.3 Fundamentals of enlargement including Rule of Law, the fight against organised crime, fundamental rights and fight against corruption

Albania's Reform Agenda aims to address the rule of law, the fight against organised crime, fundamental rights and the fight against corruption, in line with Commission recommendations in the 2023 Enlargement package and 2022 Screening report on Albania. The Reform Agenda has also a high level of consistency with the findings of the 2024 Rule of Law Report on Albania, notably with regards to the key shortcomings identified in the areas of the functioning of the judiciary, anti-corruption and media plurality and freedom. High complementarity has been ensured with the ongoing and planned IPA support, notably with the ongoing EU for LEA (EU for Law Enforcement in Albania), Sector Budget Support in the area of Judiciary, ongoing

support to freedom of media, and planned IPA support in the area of anti-corruption in the context of the forthcoming programme EU for Fight against Corruption. The Reform Agenda should contribute to strengthening the fundamentals of the enlargement process, including the rule of law, democracy, fundamental rights and civil society. Specific measures should in particular strengthen the fight against corruption and organised crime, cooperation in the field of drugs, prevent money laundering, consolidate judicial independence, accountability and efficiency at all levels, effectively prevent and decrease the incidence of corruption, and enhance freedom of expression in line with the EU *acquis*. Albania committed that reforms are carried out in consistency with relevant EU *acquis*, European standards and international principles in the area of fundamentals. The Commission will pay specific attention to consistency with these standards during implementation and assessment of the fulfilment of the reforms.

The Reform Agenda of Albania correctly highlights the importance of upholding the rule of law, combating organised crime and corruption and strengthening the judiciary as essential elements for achieving the broader objective of economic convergence (§4.1). The Reform Agenda describes the status and reforms undertaken in recent years with regards to anti-corruption (Ch10, point 5.5), organised crime, money-laundering and justice reform (Ch 10).

Corruption still presents a major risk in Albania, even with mitigating measures and reforms being undertaken by the Government of Albania and the independent justice and rule of law bodies. A number of challenges on the fight against corruption are recognised and it is envisaged that these will be incorporated in the new Anti-Corruption Strategy foreseen to be adopted later this year. A number of mitigating measures will be included as reforms and steps, both regarding preventative measures, legal framework and improvement in capacity and approaches used by investigation and prosecution bodies; in addition to measures regarding asset recovery, judiciary reform (including vetting), as well as measures to address the informal economy and prevent tax evasion.

The Reform Agenda of Albania commits to establish an Asset Recovery Office and make it operational. This requires approving the law on the Asset Recovery Office and having the structure created. Albania will ensure that the office applies to join the European Network of Asset Recovery Offices and that at least 50% of the confiscated assets are reused within 6 months of their confiscation.

The Reform Agenda of Albania aims to strengthen the repression of organised crime. For that it will produce a threat assessment of organised and serious crimes and a review of its strategy and its action plan on these issues accordingly. Moreover, it will expand access and interoperability of databases and use of IT tools, and investigative methods in the fight against crimes.

On addressing the drug situation, the Reform Agenda foresees that Albania will strengthen institutional capacity with the aim of reducing the supply of illicit drugs, the demand for drugs, and drug-related harm. For that it will evaluate the implementation of its revised action plan on prevention, treatment and reduction of drug-related harm 2023-2026. In addition, it will also operationalise an early warning system and a national drug observatory. In its Reform Agenda

Albania also commits to continue working on Anti-Money Laundering and Countering the Financing of Terrorism, by adopting a new National Strategy and effectively and timely implementing the Action Plan of the National Risk Assessment.

Albania's Reform Agenda aims to reinforce the rule of law by building on the fundamental changes introduced by the 2016 justice reform. Specifically, Albania's Reform Agenda aims to consolidate judicial independence and accountability by ensuring referral to prosecution and effective judicial follow up in vetting cases with suspicion of criminal elements, as well as higher transparency and accountability of the High Judicial and Prosecutorial Councils in the process of appointments, evaluations, promotions and transfers. Measures also aim to increase the capacity of the High Justice Inspectorate (HJI). The reform agenda also aims to increase judicial efficiency at all levels by setting ambitious targets for reduction of overall backlog and disposition time in civil, commercial and administrative cases, as well as for filling of vacancies for magistrates and non-magistrate staff at all court levels. Judicial infrastructure is expected to be improved by ensuring satisfactory facilities for the Appeal Court and the establishment of an Integrated Case Management System in full respect of judicial independence and prosecutorial autonomy. These measures are fully consistent and complementary to the challenges in the functioning of the judiciary identified in the 2023 Commission enlargement report on Albania, 2022 Commission's Screening report, and 2024 Commission Rule of Law report on Albania, as well as the corresponding commitments of Albania in the Rule of Law Roadmap. Further consolidation of the independence, quality and efficiency of the judiciary will be followed up with priority in the context of Albania's accession progress and negotiations on Cluster 1 – Fundamentals.

Furthermore, through the Reform Agenda it is foreseen to amend provisions regulating pre-election of the non-magistrate members of the High Judicial Council and High Prosecutorial Council, in line with the Constitution, aiming to align with the high standards of integrity, background check and asset declaration, applicable to magistrates. This will increase the quality of the election process and ensure application of a merit-based principle based on independent ranking.

Albania's Reform Agenda includes a set of relevant measures aiming to decrease the incidence of corruption through the establishment of open data platform on national and local budget and public spending, improvements to the legal framework of the Supreme Audit Institution (SAI), and amendments to the legal framework on donations and sponsorships, on conflict of interest in line with relevant Commission recommendations including GRECO recommendations and on political party financing, in line with European standards. Albania clarified that it is currently in the process of finalising the draft of the new Crosscutting Anticorruption Strategy for 2024-2030, with its first dedicated Action Plan for the period 2024-2026, that is expected to put a special emphasis on the vulnerable sectors. According to Albania, the strategic package will be adopted in the following months, and will constitute the policy framework to guide and support the attainment of the specific Reform priorities in the area of anti-corruption. Complementary planned IPA action is expected to further support the Directorate for Anti-Corruption on effective implementation and coordination of the Anti-corruption Strategy and action plan, but also support further the capacity of Special Anti-Corruption and Organised Crime Structure

(SPAK), improved cooperation between the State Audit Institution, the Ministry of Finance and law enforcement authorities, as well as address issues of efficiency of High Directorate for Asset Declarations and Conflict of Interest (HIIDACI), that is tasked by law to collect and verify the asset declarations of all elected and appointed public officials, including the executive, legislative and judiciary, including at high level. The Commission will further follow up on the mandate and resources of HIDAACI and the impact of preventive measures in its regular assessment processes regarding Albania's accession process.

The Reform Agenda foresees as well continuous progress with the quality of proceedings in full compliance with due process rights, and improving the track record of effective and efficient investigations, prosecutions, final judgements, seizure, and final confiscations in corruption, including high-level corruption cases. Furthermore, Albania commits to ensure continuous progress with the quality of proceedings in full compliance with due process rights, and improving the track record of effective and efficient investigations, prosecutions, final judgements, seizure, and final confiscations in corruption, including high-level corruption cases, and continuous progress with results in the field of investigations, prosecutions, convictions, seizure and confiscations of assets in organised crime related cases. Extra assurance in this process is provided by the Commission's statistical data tool, the Organised Crime and Corruption Track Record platform (OCCTR), which was launched earlier this year with national data already made available. This platform ensures the use of a standardized methodology for calculating accurate baselines, based on the average performance from the previous three years. The platform enables proper tracking of performance during the implementation period of the facility and ensures quality control of data. The Commission will take into account relevant qualitative aspects when assessing the track record.

1. Albania's Reform Agenda also includes reforms that aim at enhancing protection of human rights, and notably the right to freedom of expression through a deep reform of the legal, institutional and regulatory framework on media freedom, based on a structured and inclusive dialogue with media actors, with the objective of aligning criminal and civil aspects of defamation with European Standards, improving the legal framework on transparency of media ownership, audience reach, transparency of media financing, media plurality and editorial independence, autonomy of the media regulator, reduce incidence of SLAPPs. Furthermore, the reforms addressing property rights, including in zone of high economic significance, should also contribute to the promotion of rights of people belonging to national minorities. The reforms foreseen, notably some in the area of human capital, should also contribute to improving the lives and, in particular, the job prospects of vulnerable groups and thus also people belonging to minorities.

Albania's visa alignment with the EU remains an important priority. The European Commission recognises Albania's steps taken to align with the EU visa policy notably the cancellation by cancelling its seasonal visa free regimes towards Russia, Egypt and India. The European Commission also welcomes Albania's commitment in its roadmap on the rule of law to achieve the highest possible alignment with the EU visa policy, including through the discontinuation of seasonal visa free regimes which are not in line with the EU acquis, and to align with the list of countries that require a visa in the EU but do not in Albania. In May 2024 Albania partially

suspended its visa free regime with Belarus for holders of diplomatic and service passports, which has limited practical effects. It renewed its temporary visa free regime to the same five third countries as in 2023, from 16 March until the end of 2024 and added Indonesia to this list on 20 March. It terminated its visa free regime with Guyana in July 2024.

Furthermore, Albania commits to introduce additional security measures to better screen visa-free arrivals by June 2027. Albania commits as well to continue to gradually align its visa policy with the EU visa policy until full alignment. For the timeframe of the Facility it will aim to improve the level of alignment by aligning on two countries with which it is not yet aligned with EU visa policy in December 2025, and one further country in December 2026 and in December 2027 respectively.

1.1.4 Climate and environmental objectives and "do no significant harm"

The Regulation establishing a Reform and Growth Facility for the Western Balkans states in Article 2 paragraph 10 that “do no significant harm” means not supporting or carrying out economic activities that do significant harm to any environmental objective, where relevant, within the meaning of Article 17 of Regulation (EU) 2020/852. This article defines what constitutes ‘significant harm’ for the six environmental objectives listed under Article 9 of the Taxonomy Regulation¹, which are 1) climate change mitigation, 2) climate change adaptation, 3) sustainable use and protection of water and marine resources, 4) circular economy, 5) pollution prevention and control, 6) protection and restoration of biodiversity & ecosystems. Only activities or assets assessed as not significantly harmful to any of the mentioned environmental objective can be considered compliant with the “Do No Significant Harm” principle.

During the implementation of the Reform and Growth Facility, the Western Balkans partners will need to be guided by this principle and shall support its application – for instance by conducting comprehensive Environmental Impact Assessments at the policy and strategy planning stages, and public consultations ahead of key development projects and investments – to ensure that reforms and business activities environmental footprints investments do not cause significant harm to environmental and biodiversity targets objectives within the national environmental legal framework.

The Reform Agenda of Albania does not support or carry out economic activities that do significant harm to any environmental objective, where relevant, within the meaning of Article 17 of Regulation (EU) 2020/852. Moreover, the Reform Agenda does not support activities or measures which are incompatible with the country’s Energy and Climate Plan 2030 approved in December 2021 and is addressed based on recommendations from the Energy Community, aiming to reduce final energy consumption by 9.4% and to start implementation in 2024. Alongside actively aligning its policies with EU standards, especially in the context of broader European integration, Albania is urged to affirm its commitment to ensure that reforms and

¹ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

investments will not cause significant harm to environmental objectives, as defined in the EU Taxonomy Regulation. The Reform Agenda does not support activities or measures which do not comply with the country's Nationally Determined Contribution under the Paris Agreement, and the ambition to reach climate-neutrality by 2050 at the latest, that promote investments in fossil fuels, or that cause significant adverse effects on the environment, the climate or biodiversity.

Albania's Reform Agenda is expected to accelerate the transition of Albania towards a sustainable, climate-neutral and climate resilient and inclusive economy by making progress on the twin transition of green and digital, including reducing strategic dependencies. It will contribute to enhance the energy security through market integration and diversification of energy power generation through renewable energy resources other than hydro-power.

The Reform Agenda envisages the implementation of climate and energy policies and measures as foreseen in the National Energy and Climate Plan, the enhanced Nationally Determined Contribution and the Long-term Strategy for Climate Action and its Action Plan, thereby fostering de-carbonisation. It will also undertake steps to implement energy performance in buildings including implementing of a long-term building renovation plan. It will improve efficiency by implementing measures aiming at fostering the deployment of renewable energy and will work towards carbon pricing (notably full implementation of Monitoring, Review, Verification and Accreditation (MRVA) with the aim of having an Emission Trading System in place by 2030. Reform steps are without prejudice to the legally binding deadlines established under the Energy Community Treaty, and do not affect the applicability and enforceability of the latter.

Though Albania's Reform Agenda does not include measures specifically on environmental protection, the measures proposed demonstrate that it will contribute to the integration of the environment considerations across the development of other sectors including transport and the circular economy. This is in line with the principles of sustainable development and of the Green Deal and Green Agenda for the Western Balkans.

1.1.5 Digital transformation

The part of Albania's Reform Agenda covering digital transformation is designed to build on and further develop ongoing national policies and strategies including the Albanian digital agenda 2022-2026, which sets the stage for Albania to deal with competitive pressures and market dynamics within the EU as well as European and regional initiatives such as the Digital Agenda for the Western Balkans that promote the EU's human-centred approach to digital technologies and the EU Digital Decade programme. Albania's Reform Agenda states clearly that the development of ICT infrastructure is one of the priorities of the authorities and part of the national strategic objectives for development and EU integration.

The Reform Agenda will establish the necessary legal and technical framework in the country that will allow the full rollout of electronic identity cards in the country in line with the eIDAS² regulation and with the EU Digital Identity Wallet, making it available to citizens, residents, and businesses who want to identify themselves or provide confirmation of certain pieces of personal information. This way, the public services will be further improved through digitalisation thus helping the authorities in reducing corruption in the country.

The increased digitalisation of the public services requires stronger cyber security systems in place, therefore Albania's Reform Agenda also foresees the establishment of an updated framework for cyber resilience, strengthening the capacities of the relevant national institutions. The Reform Agenda complements and further strengthens the ongoing national strategy for Cyber Security and the relevant national institutions, which following the cyber-attacks that Albania faced in 2022, had considerably strengthened its cybersecurity architecture, including by appointing a National Coordinator for Cybersecurity, setting up a government Cybersecurity Operations Centre and adopting a new Law on cybersecurity further aligning with the NIS2 directive³. To that extent, the Reform Agenda will ensure that the national and governmental Computer Emergency Response Teams (CERTs) are fully operational, and that Albania has introduced the Coordinated Vulnerability Disclosure (CVD) and Crisis management frameworks as foreseen in the relevant EU *acquis*.

The Reform Agenda also aims to fortify Albania's digital framework by ensuring secure and sustainable digital infrastructures. Albania will align its legislation with the EU Gigabit Infrastructure Act and its law on electronic communications with the EU EECC directive⁴. The country will put in place measures to secure 5G infrastructures roll-out, in full alignment and compliance with the EU 5G cybersecurity toolbox. The country's digital infrastructure needs further investment, as in 2021 only 20% of inhabitants had access to broadband connection, meaning that the use of internet and business websites were weak. For this, a needs assessment for deployment broadband connections in white/rural areas will take place while the Reform Agenda also foresees that the independent regulatory body will run 5G auctions and award frequencies to successful bidders thus increasing the speed and efficiency of internet in the country.

1.1.6 Business environment and Private sector development

The private sector and business development part of Albania's Reform Agenda is designed to address many of Albania's most important challenges to doing business, including the informal economy and tax revenue issues, investment challenges (including public private partnerships, contracts award, State Aid, and State-Owned Enterprises), as well as measures to improve the business environment, and to better enable SME exports.

² Regulation (EU) 2024/1183 of the European Parliament and of the Council of 11 April 2024 amending Regulation (EU) No 910/2014 as regards establishing the European Digital Identity Framework

³ Directive (EU) 2022/2555 of the European Parliament and of the Council of 14 December 2022 on measures for a high common level of cybersecurity across the Union

⁴ Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code

Most regional peers achieve higher tax revenues than Albania⁵, despite having lower tax and contribution rates, particularly for labour. There are underlying challenges in the tax system, including the efficiency of tax collection, the significant informal economy and tax avoidance, as well as a need to widen the tax base. Significant informal economy impedes fair competition among businesses by penalising companies that are tax-compliant, reduces the tax base and hinders economic growth. The Reform Agenda therefore aims to address revenue issues and the informal economy, via measures designed to increase domestic revenue mobilisation and the comprehensiveness of the tax system. These include the use of data from third parties to enable the tax administration to ensure investigations of taxpayers' asset on unjustified wealth, the prefilling of VAT forms, and strengthening the performance of anti-tax fraud investigations. These will all be foreseen in a Medium-Term Revenue Strategy (MTRS) that will also address the issue of tax predictability, which is also a key issue for Albanian businesses.

The Reform Agenda also aims to address another one of Albania's significant investment issues, the lack of clarity and predictability of property rights, which have consequences on clarity of ownership and therefore on collateral for entrepreneurs that complicate their access to funding sources). Measures foreseen include significant progress in the first registration of property titles, and the digitalisation of most of these and of existing property titles and maps.

Another key area that the Reform Agenda aims to address is to increase the attractiveness and transparency of investments, in line with EU practices. This will aim to address one of the key weaknesses of public/private partnerships and concerns about public procurement, which is otherwise largely aligned to the EU legal framework. It will also establish the legal framework for an operationally independent State Aid Authority and its arrangements budget. Better transparency and greater managerial accountability would increase the financial performance of Albania's State-Owned Enterprises (SoEs) and in turn reduce their reliance on support from the state budget, which are one of the factors of the country's fiscal risks via public guarantees to SoEs such as hydroelectricity providers. The Reform Agenda therefore has a focus on managerial accountability for SoEs.

The Albanian Reform Agenda also aims to improve the investment attractiveness framework and in particular that of FDI by deregulating and modernising business services. Key measures foreseen here include the adoption of a new unified investment law and several measures to reduce the burden on business and improve the country's position in the OECD Policy SME index. Measures are also included to literally improve cross-border trade by the deploying e-freight and Intelligent Transport Systems.

Measures to ensure the promotion of export and internationalisation of enterprises, including the facilitation of exports and trade, and value chain support to selected industries with growth potential, are also included. These include the adoption and implementation of an export promotion and facilitation programme, alignment with EU legal bases to help to enable the export of animals and plants, industrial value chain partnerships with European Union, and measures designed to increase the share of exports (services and goods) to GDP, regulatory initiatives and/or support measures related to industrial value chain partnerships with European

⁵ Albania's revenue ratio was 27.8% of GDP in 2023

Union, including on critical raw materials. The Reform Agenda also outlines Albania's efforts to align with EU standards and initiatives to strengthen value chains, and ensure the production and export of critical medicines, thereby addressing potential shortages and enhancing market access. The Reform Agenda also foresees the adoption of legal amendments to facilitate administrative procedures for businesses; the Commission looks forward to Albania providing evidence that these changes to different legal acts will reduce the administrative burden on enterprises.

The Reform Agenda also includes reforms designed to strengthen the national research and development environment, notably via the Smart Specialisation Strategy, but also by aligning science and research with European Research Area, promoting Open Science by granting Albanian researchers' free access to the research publications. By these and other measures Albania aims to improve its place in the European Innovation Scoreboard and support innovative SMEs and start-ups to take-up the potential of the green and digital solutions.

1.1.7 Education, training, employment and social objectives and leave no one behind

The Albanian Reform Agenda aims to strengthen further the national education and training policies in line with the Albanian National Education Strategy 2021-2026 and the National Strategy on Employment and Skills for 2023-2030, the European Education Area objectives, and the Western Balkans Agenda on Innovation, Research, Education, Culture, Youth and Sport and contribute to addressing the skills mismatch in the country.

The Reform Agenda will lead to the revision of the Vocational Education and Training (VET) system in Albania in order to match skills with the labour market demand in the country, by developing new curricula in strategic skill areas (such as the ones indicated in the Smart Specialisation Strategy (S3), training VET teachers and ensuring the employability of VET graduates in sectors relevant to their studies. Findings from OECD indicate that a significant number of Albanian students are not acquiring the basic skills in reading, mathematics and science required to fully engage in a knowledge-based society after completing compulsory education. In 2022, the country scored notably lower than the EU average, performing worse than the previous assessment in 2018.

The Reform Agenda aims to address the shortcomings in the Albanian educational system by modernising the curricula for basic education and by updating the national Qualifications Framework (QF) in order to establish a clear and transparent relationship between national qualification levels and the relevant European QF levels. In order to better enable this, the Reform Agenda foresees the advancement of digital skills and literacy for young people ensuring the provision of sufficient ICT equipment to public schools and universities, revising the ICT curricula and improving teachers' ICT skills.

The Reform Agenda also addresses unemployment by aiming to upskill and reskill unemployed persons by strengthening the efficiency of the national unemployment policy scheme. The target is to increase the Active Labour Market Programmes in the country thus also increasing

the participants. These measures complement existing IPA programmes and actions in the area of social protection, contributing to the social inclusion of groups at risk in the labour market.

The Reform Agenda of Albania pays particular attention to boosting the research and innovation ecosystem in the country. The funding for Albania's research ecosystem is one of the lowest in the region lacking also an effective and modern strategic framework. The Reform Agenda aims at addressing this deficiency with the adoption of the S3 in line with Europe's 2020 strategy and the Smart Specialisation Platform and the adoption of a new legal framework in line with the European Research Area policy. As in Albania research publications are not openly accessible to everyone, the Reform Agenda aims at creating a platform granting Albanian researcher's free access to publications guaranteed by national institutions.

1.1.8 Gender equality

The reform agenda contributes to the objectives set in Albania's a law on Gender Equality and the related Action Plan. i . . In its 2023 annual report on Albania,⁶ the Commission found that the application of gender-responsive budgeting continued to improve. Economic assistance to victims of domestic violence has been increased significantly. This is foreseen in Albania's roadmap on the Rule of Law, submitted to the European Commission as part of the accession negotiations in late 2023, The implementation of the law on gender equality and of the national strategy for gender continued and needs to be further intensified. By promoting a reinforcement in the implementation of relevant legislation, the Reform Agenda contributes to the progressive alignment of Albania with EU Acquis and relevant international standards promoting Gender Equality and the eradication of Gender Based Violence and Domestic Violence, furthermore following the principles established by the Gender Action Plan III. In view of such objectives and of the key thematic areas of engagement established by the GAP III, the Reform Agenda of Albania has set has included a gender perspective in a number of steps, by foreseeing the disaggregation of data by sex. This is notably the case for the "Human Capital" policy area, namely in steps concerning Education and Employment. Specifically, the Reform Agenda seeks to ensure a fair representation of females in the number of graduates from VET schools who then get employed in the relevant sector of their studies, as the authorities are asked to report disaggregated data on this target. Similarly, the National Agency for Employment and Skills will have to keep track of the female participation in the number of unemployed jobseekers who get a job through its services. Expected outcomes include increased representation of women and girls in education and vocational training, higher employment of women and representation in the job market.

Moreover, Albania will ensure gender mainstreaming throughout the implementation of the Reform Agendas, namely for reforms under the "Private Sector Development and Business Environment" policy area, (through direct support to SMEs and start-ups owned by women) the "Digitalisation" policy area (where gender-sensitive monitoring will be applied to the tracking of usage of the e-Wallet). Finally, Albania plans to integrate a gender perspective also through the systematic involvement of relevant stakeholders. The involvement of civil society organisations (and particularly women's rights organisations) remains key in ensuring adequate

⁶ SWD(2023) 690 final

attention to gender equality and other related aspects, as well as to contribute to women's empowerment.

1.1.9 Indicative investments under the Western Balkans Investment Framework

The Commission takes note of the list of indicative investment projects foreseen for possible co-financing through the Facility. To benefit from the leverage of Union financial support and attract additional investments, infrastructure investments supporting the Reform Agendas will be implemented through the Western Balkan Investment Framework (WBIF) following positive opinion of its Operational Board.

For that reason, Albania will have to submit detailed applications in response to dedicated calls for investment proposals to the Commission which will be assessed for their maturity, relevance and eligibility of co-financing under the Reform and Growth Facility, including compliance with its Article 4(7) of the Regulation that excludes support for measures, which are incompatible with Albania Energy and Climate Plan, the Nationally Determined Contribution under the Paris Agreement, promote investment in fossil fuels, or that cause significant adverse effects on the environment, the climate or biodiversity.

For Albania consideration before eventually submitting their final proposals to the WBIF, the Commission also recalls the obligation under Article 19(4) of the Regulation that at least 37% of the non-repayable financial support channelled through the WBIF shall account to climate objectives, and which will also be taken into account for the purpose of the above mentioned assessment.

Albania has gained valuable experience so far when it comes to identifying, designing and implementing investment programmes under WBIF but capacity in this respect can be further strengthened.

As a consequence, Albania has created a National Single Project Pipeline (NSPP), that comprises all key public investment initiatives in the different sectors, ranked according to maturity. The NSPP, should become the blueprint for the identification of mature priority investment, to be financed under the Reform and Growth Facility, the window reserved for Albania under WBIF.

IFIs eligible under WBIF have shown relatively strong interest in partnering on critical investment in Albania, co-financed via WBIF.

Based on a scoping and identification mission and intensive dialogue with relevant line ministries and the ministry of finance, we see good potential for critical infrastructure investments, notably in sustainable transport (Corridor VIII Railway; Blue Corridor Highway), renewable energy and energy transmission as well as energy efficiency in schools, digital transition and digital broad band connectivity.

It should be noted that the Commission services screen all WBIF funded projects in line with relevant EU legislation which includes environment, notably specifically checking the compliancy in the environmental field and makes recommendations for improvement if necessary.

The IFIs that implement WBIF funded projects also have an obligation to follow EU environment standards when funding WBIF projects with a loan component. Proposed projects that are found as not compliant will not receive funding.

1.2 Assessment of the reforms and investments and the linked qualitative and quantitative steps

The reforms proposed by the Albania are considered appropriate and ambitious, and also sufficiently meaningful and clearly formulated to allow for the corresponding release of funds in case of their fulfilment. Baselines and target values for the quantitative steps are provided, as well as a clear description of the quantitative and qualitative steps. The relevant sources of verification are determined for the steps, as well as the entity responsible for the achievement.

The reforms included by Albania in the Reform Agenda to improve the business environment are appropriate, ambitious and meaningful. They include increasing domestic revenue and the comprehensiveness of the tax system, whose outputs will result in increasing tax revenues and reducing the informal economy. Albania also commits to relevant and meaningful reforms on property rights, with the aim to ensure transparency and efficiency of state cadastre services for investors and citizens, including robust corruption preventive measures, and provide clear policy for land usage. The appropriate and quiet ambitious reforms on property rights will also contribute to better legal certainty and transparency through decisive progress in first registration and digitalisation, and roll out of a land use policy and significantly improved integrity, quality, transparency, efficiency and accountability in the area, and of the Cadastre State Agency.

Albania foresees in its Reform Agenda to improve its attractiveness and transparency for investments, by aligning its legal base for public/private partners with EU *acquis*, ensuring the independence of state aid authority and the boards of state-owned enterprises. The relevant reforms are appropriate and are closely linked to the requirements of the regulation and will take place in the first couple of years of the Reform Agenda implementation period. The reforms foreseen on investments are also appropriate and ambitious as they will improve the investment attractiveness of the country with key outputs that will enhance the legal framework for this and reduce the administrative burden on business.

The reforms in Albania's Reform Agenda in the area of energy and green transition are ambitious and appropriate and aligned with the objectives of the Growth Plan and are in line with European strategies and policies. Albania commits to align with electricity integration package to enable electricity market coupling of the EU and Albania, establish the intraday electricity market, operationalise the package in line with the market coupling operator integration plan by 2025. The country will gradually adjust tariff to market prices accompanied with measures to address energy poverty, to develop transparent and competitive quantity-

based action plan for renewable energy and to implement the Renewable Energy Sources Directive. Albania will also work on carbon pricing with the aim of having an ETS in place by 2030 by focusing on full implementation of the MRVA package and will adopt and implement a long-term building renovation strategy, and energy efficiency scheme⁷.

Reforms foreseen in Albania's Reform Agenda on transport are appropriate and ambitious and will improve the deployment of e-freight and Intelligent Transport Systems, with outputs that will lead to alignment with EU rules electronic freight information, UN rules of the carriage of goods, and steps towards implementing EU-compliant traffic information services. They aim to improve trade flows within the region and with the EU. In particular, by implementing e-customs, a reduction of time in transit as well as improved export and import control procedures (time reduction, increase in declarations for digitalised procedures) can be expected. Deployment of ITS (Intelligent Transport System for road rail and maritime sector) and deployment of e-freight will lead to reduced travel time and accidents, enhancing safety

Albania also commits to promoting exports, internationalisation, trade facilitation, and support to value chains. These reforms aim to will reinforce these areas to support exports, notably by ensuring compliance with EU rules on animal and plant health, and alignment and measures to partner with the EU value chain support. Steps are also included that aim to boost innovation, research, and cooperation between academic institutions and industry in support of the green and digital transitions, are appropriate and ambitious as they will promote local industries with a particular emphasis on locally based micro, small and medium-sized enterprises and start-ups.

On human capital, the reforms and steps foreseen in the Reform Agenda are appropriate and ambitious as they aim to addressing the skills mismatch in the country by reinforcing and updating the education and training systems through revised curricula in VET and basic education and through specialised trainings for teachers focused on digital and green skills. Furthermore, the ambition level are high, for example with a target of reaching 95% of public schools equipped with high-speed internet and 75% of schools equipped with sufficient ICT infrastructure. On the employment side of the Reform Agenda, the target is to increase the efficiency of the Active Labour Market Measures thus reinforcing the re-integration of unemployed jobseekers to the labour market through diversified upskilling and reskilling programmes. In regard to vulnerable groups the Reform Agenda will contribute to the enjoyment of the rights of LGBTIQ, people with disabilities, and people belonging to minorities. The Reform Agenda further raises the ambition level by focusing also on the research and innovation ecosystem in the country foreseeing the adoption of a legal and strategic framework in line with the EU *acquis* and aiming at ameliorating Albania's European Innovation Scoreboard.

Regarding digital the reforms and reforms steps are appropriate and ambitious as the Reform Agenda foresees the setting up a comprehensive framework for cyber resilience through certain steps such as the adopt and implementation of cybersecurity legislative framework that is fully

⁷ However, it should be noted that, to clarify a statement made by Albania slightly confuses MRV for inventories and MRVA for ETS in its Reform Agenda, as they are two distinct things, rather than the same things, as Albania infers.

aligned with EU cybersecurity policy and EU cybersecurity *acquis* and the efficient operation of a fully staffed competent authority in charge of the implementation of NIS2. The Reform Agenda plans to establish secure digital infrastructure network by ensuring country's compliance with the 5G cybersecurity toolbox and the Gigabit Infrastructure Act. The Reform Agenda also includes the implementation of the Digital Identity Wallet and the plan for the country to join the EU list of trusted third countries for the validation of electronic signatures.

Albania's reform commitments in the area of fundamentals of enlargement, including Rule of Law, fight against corruption, fundamental rights, and the fight against organised crime, provide a set of relevant reforms and qualitative and quantitative steps setting an satisfactory level of ambition a several areas. These include strengthening judicial independence and accountability, enhancing judicial efficiency, effectively preventing and responding to corruption and organised crime, and enhancing the enjoyment of the right to freedom of expression and right to property. The latter encompasses cadastral titles of higher economic reliance and therefore minority populated areas on the coast and in the south. Expected key outputs include highly relevant results in areas of strategic priority consistent with the country's commitments in the context of EU integration, such as: making decisive progress in judicial follow up of vetting cases with suspicion of criminal elements, enhancing judicial transparency amongst others though increased transparency in judicial appointments and effective use of an Integrated Case Management System. The reforms are also expected to enhance the effective delivery of justice in a reasonable amount of time by advancing measures to support judicial efficiency, reduction of backlog and disposition time, ensuring appropriate facilities for the most affected courts, and significantly advancing judicial vacancies.

The reforms in the area of prevention and repression of corruption are appropriate and ambitious, as they are expected to support continued progress in investigations, prosecutions and final convictions, including confiscations and tackle the main legislative and regulatory bottlenecks in the areas of conflict of interest, sponsorships, and financing of financial parties though revision and alignment with European standards, as well as revision of the law on State Audit Institution. The reform priority on continuous progress on the quality of investigations, prosecutions and convictions, is understood to necessarily include the quality of results, including at high level, that will be part of the Commisison assessment on fulfilment of the reform objectives. The refoms are further expected to enhance the transparency of government , by establishment of an open data platform on national and local budget and public spending in partnership with civil society, and publication of all asset declarations on the website of the High Inspectorate of Declaration and Audit of Assets and Conflicts of Interest (HIDAACI). . These reforms therefore also reinforce public financial management. Expected results also include strengthened freedom of expression and media pluralism, though a deeply reformed, robust legislative and regulatory framework aligned with the European standards, *acquis* and best practices. The reform that will lead to the law on the State Audit Institution to be further aligned with European standards, and reforms mentioned above on PPP/concessions, State Aid, and state-owned enterprises should all also enhance public finance management.

Part 2: Assessment of horizontal aspects

2.1 Complementarity with IPA III

IPA III bilateral support for the years 2021 – 2024 have been programmed, committed (EUR 237.2 M) and are to a large extent contracted and are under full implementation. IPA III is covers a broad spectrum of areas, in accordance with the programming guideline. Considerable attention under the first phase of IPA III had been given to programmes focusing on the Green Deal (Energy, Environment, Nature, Circular Economy, Waste, Water) and Digitalisation as well as Employment (Youth Guarantee) and Social Protection.

IPA support measures on Justice and the Rule of Law, including the Judiciary, Anti Corruption and the fight against organised crime, and on Public Administration Reform are highly complementary with the Reform Agenda. IPA programmes also facilitate and accompany crucial reforms in the Reform Agenda on VET, education, digital skills and digital infrastructure, green and digital business opportunities, and energy.

IPA III programming for 2025-27 will, inter alia, take into account the measures foreseen to be implemented under the Reform and Growth Facility in order to guarantee full complementarity and additionality. The Reform Agenda proposes crucial measures that will make these investments under IPA even more impactful. The additional fiscal space provided by the Reform and Growth Facility, both through budget support and the allocations to WBIF, will allow for the Government of Albania to undertake further investments into these important reform areas.

During the preparation and the negotiations of the Reform Agendas, the Commission systematically addressed the issue of potential double-funding, by checking the proposed steps and reforms against the financial support already provided or in the pipeline of new programmes under the Instrument for Pre-accession Assistance (IPA) and against the activities funded by other partners in the Region. The Commission will continue to monitor the complementarity of the two financing instruments also during the implementation of the Reform and Growth Facility.

2.2 Monitoring, reporting and evaluation

The arrangements proposed in the Reform Agenda are adequate to ensure effective implementation, monitoring and reporting of the agreed reforms and related steps.

The large number of relevant cross areas and sectoral reforms of the Reform Agenda requires robust monitoring and reporting frameworks that are to involve all relevant stakeholders. In this regard, the steer of the Reform Agenda implementation and related monitoring and reporting is expected to happen both at the highest political level (Office of the Prime Minister) and at technical level making use of existing governmental structures. It is worth highlighting that no new parallel structures are expected to be created for the purpose of the monitoring and reporting of the Reform Agenda. Such steering will be undertaken in cooperation, whenever relevant, with other actors involved or affected by the agreed reforms. The division of labour

for the different levels of political and technical monitoring and reporting are clear and appear to be sufficient to justify in an adequate manner the disbursement requests.

The results will feed into semi-annual (and annual) reports on the fulfilment of its Reform Agenda's payment conditions, thus ensuring that reporting is completed in an efficient and timely manner. Additionally, Albania commits itself into ensuring that such monitoring and evaluation systems and mechanisms are independent and can provide effective accountability and transparency in implementing the Union budget, by signing the Financing Agreement it binds itself to ensuring this in line with the obligations of the Agreement. The established monitoring process will thus guarantee an effective assessment of progress towards the objectives set by the European Commission.

The steps are clear and realistic and the proposed indicators are relevant, clear and robust.

The baselines and verification sources for all reforms and their individual steps, provided by the Beneficiary in Annex 1 to the Reform Agenda, constitute key elements in the monitoring, reporting and evaluation process. While adequate information has been provided for the majority of the reform steps, some few of the proposed verification sources and baselines are at this time either not comprehensive enough or not fully adequate to be used for evaluating whether the step has been achieved in its entirety. In such cases, Albania will be required to present to the Commission and agree on additional verification sources or baseline information by 31 October 2024.

Apart from the proper organisational structures of the control system, the deployment of adequate competences and human resources will be needed for a successful and timely implementation of the Reform Agenda.

2.3 Control and audit systems

The Reform Agenda provides a comprehensive overview of the existing internal control and audit systems to prevent, detect and correct irregularities, fraud and corruption and conflicts of interests. It also describes the areas that need to be further developed.

The Reform Agenda confirms that the Law on Financial Management and Control and the Law on the Internal Audit in the Public Sector, complemented by implementing legislation, are broadly in line with the international standards and provide an appropriate basis to implement public sector internal control and audit. The Central Harmonisation Unit of the Ministry of Finance provides methodological guidance and monitors implementation across the public sector. It also prepares an annual report on implementation of internal control and audit to the attention of the government, highlighting the implementation challenges. The regulatory framework for external audit is aligned with the EU standards, and the independence of the State Audit Institution is provided for in the Constitution, but implementation will nevertheless need further strengthening. For the protection of the EU's financial interests, the legislation is partially aligned with the Directive 2017/1371. An anti-fraud coordination services (AFCOS) has been established and an AFCOS network has been set up together with manuals and procedures for reporting of irregularities. This is being supported by IPA budget support.

While implementation of internal control and internal audit is ongoing for a number of years, the Reform Agenda confirms that further development is needed in the framework of the public administration reform strategy and public financial management strategy 2023-30 and its action plan 2023-26, both supported through IPA budget support. The primary focus will be on developing an effective managerial accountability system, focusing especially on delegation of responsibilities. To further improve internal control, the Reform Agenda confirms a commitment to set up the necessary policies, procedures and internal control instruments for management of irregularities and fraud. The reform measures will focus on improvement of the regulatory framework and methodological guidance, risk assessment and risk mitigation and improved monitoring and reporting mechanisms for quality assessment of internal control in across public sector units. Also, awareness raising of senior management and staff is foreseen. Internal audit activities will be also strengthened in terms of human resources. The quality control of internal audit will be further improved. For the protection of the EU's financial interests, an anti-fraud strategy is foreseen to be prepared in 2024 with technical support from the EU including capacity-building and awareness-raising. In addition, complementary measures supported via IPA funding in reforms of justice, rule of law, anti corruption, and public administration complement the planned internal control and audit reforms and strengthen the necessary safeguards against fraud and corruption.

The Reform Agenda focuses on introducing amendments to the legal framework of the State Audit Institution in view of increasing efficiency of external audit. It also aims to strengthen performance of anti-tax fraud investigations and improve use of data by tax administration in overall. It further aims to align of the Law on Official Controls with the EU *acquis* and enhance transparency by establishment of an open data platform on national and local budget and public spending in partnership with civil society, and publication of all asset declarations on the website of the High Inspectorate of Declaration and Audit of Assets and Conflicts of Interest (HIDAACI), in compliance with the law on right to information and protection of personal data.

The Commission has a longstanding cooperation with Albania to develop the internal control and audit systems and ensure protection of the financial interests of the Union in line with the international standards, including with the support of EU funds. In the light of the description, under Chapter 16 of the Reform Agenda, of the arrangements under Article 13(1)(l) of the Regulation (EU) 2024/1449, as complemented by the reforms supported by IPA funds in the context of the enlargement negotiations, the Commission considers that the necessary strategic, legal and methodological framework in place is in line with the requirements under Article 14(4)(i) of the Regulation. The Commission further considers that the established national structures for programming of assistance, including Commission ex ante verification, ensures that there is no double funding from the Facility and other Union programmes.

To improve systems further, Albania should prioritise reforms related to the accession negotiation Chapter 32 on financial control in the first years of the implementation of the Facility. The Commission will support this process by undertaking a systems review of the functioning of the internal control in the context of the Facility no later than 2025. Albania will be expected to address the recommendations through an action plan. The Commission will regularly monitor the adequacy of the control and audit systems as part of the assessment of the

general conditions for payments, each time Albania submits a request for the release of funds, including the timely implementation of the action plan.

In conclusion, the described systems together with the proposed reforms and complementary measures under IPA can be considered adequate to ensure protection of the financial interests of the Union in line with Article 23(1) of the Regulation (EU) 2024/1449.

2.4 Consultation process

The Government of Albania has applied the relevant consultation process in accordance with its law. The submission of the Reform Agenda was done via a Council of Ministers Decision. The subsequent loan and facility agreements will be approved subsequently and will involve Parliament where applicable.

The Commission welcomes the extensive consultations of the Government of Albania on the Reform Agenda with all line ministries concerned, respective governmental agencies and independent institutions, notably in the justice sector. These parties have not only been consulted but actively contributed to the formulation of the Reform Agenda.

Albania has indicated that consultations with civil society organisations have taken place during the drafting of the Reform Agenda. The Commission takes positive note of this. These culminated in a wide public consultation, launched in mid-June, that ended in July 2024.

In addition, consultations have been held with private sector representatives, via the National Economic Council and civil society. The Albanian Parliament has equally been informed about the development of the Reform Agenda and it will be officially consulted for the signature of the loan and facility agreement.

It will be crucial that such broad based consultation process continues throughout the entire implementation of the Reform Agenda.

The Commission also commends Albania's commitment to hold 30-day public consultations prior to the adoption of the Reform Agenda, as provisioned by the law. This is to ensure that non-state actors such as civil society and private sector organisations have been informed about the Reform Agenda, thus ensuring transparency at adoption and monitoring of progress at implementation phase.

2.5 Communication and visibility plan

The Commission invited the Beneficiary to describe an outline of the intended national communication strategy aimed at ensuring public awareness of the Union funding and how the Beneficiary plans to communicate on the Reform and Growth facility. The submitted outline fulfils the minimum requirements.

Beyond this outline, the Beneficiary shall provide a fully-fledged communication and visibility plan (as per Art. 13, 1(n) of the Reform and Growth Facility regulation) by 31 October 2024, for agreement with the Commission. The preparation of the plan should be closely coordinated with the EU Delegation/EU Office.

Communication and visibility plan shall focus on how the EU-related reforms will enable the Beneficiary to progress with EU integration, on the benefits that the reforms and investments will bring to the citizens, on explaining the functioning of the Facility as well as on ensuring visibility of EU financing.

The communication and visibility plan shall be comprehensive and shall describe the objectives, chain of command and internal division of responsibilities, coordination with the EU Delegation/EU Office and WBIF, key messages, target audiences, communication channels, planned budget, and monitoring and evaluation.

The Beneficiary is requested to regularly report on implementation of the communication and visibility plan as part of their request to the Commission for the release of funding. This report will be part of the regular assessments.